

Alphabet Inc.

2021 Audit Results

January 27, 2022

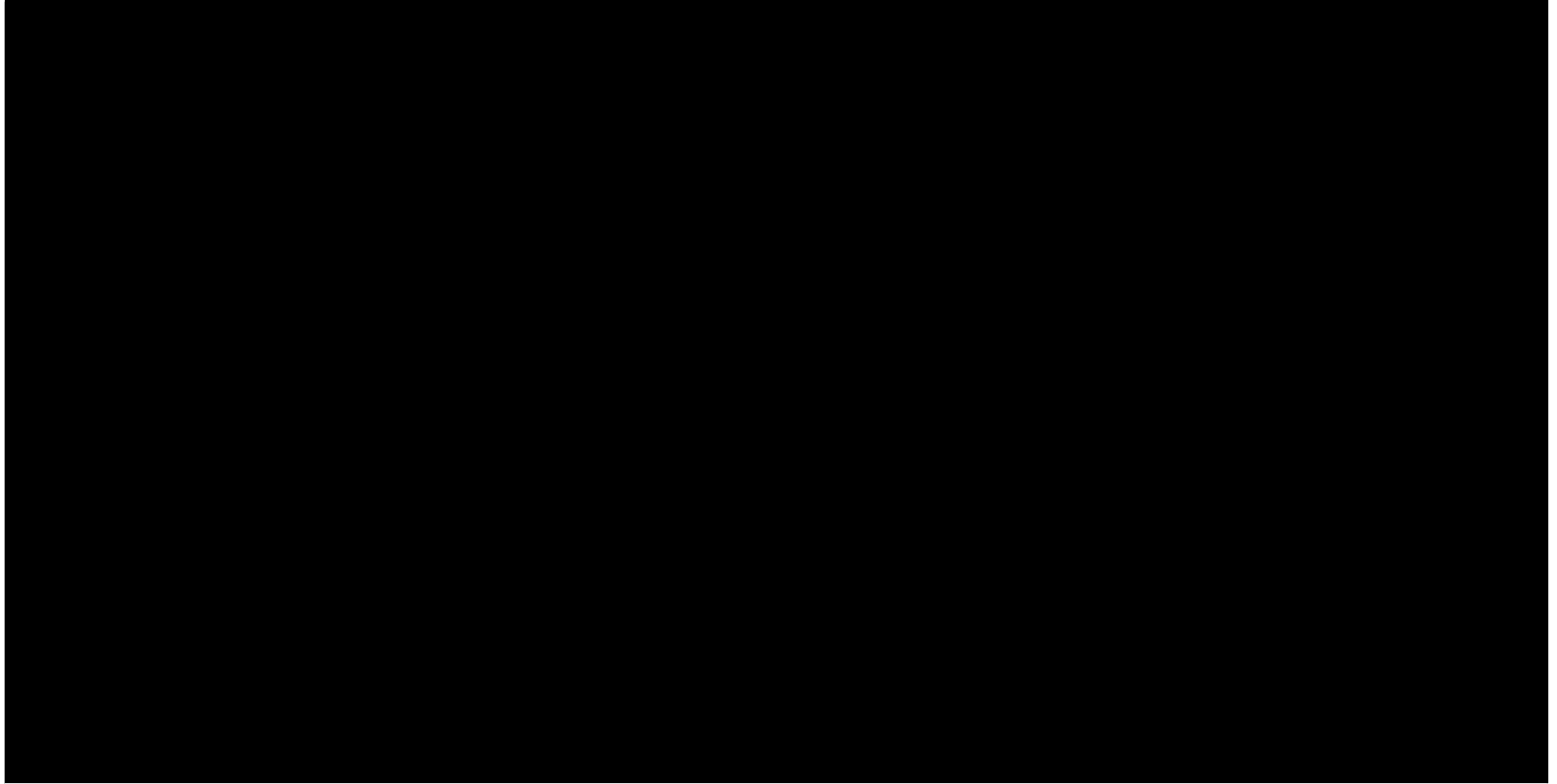


Agenda

- ▶ Executive summary
- ▶ Management's judgments and estimates
- ▶ Internal control over financial reporting
- ▶ Critical audit matters (CAMs)
- ▶ Inquiries related to matters relevant to the audit
- ▶ Appendices



Executive summary



Management's judgments and estimates

Provided below is our assessment of select significant accounting policies (SAP) and critical accounting estimates (CAE). Our assessment includes evaluation of the quality and application of accounting policies, reasonableness of estimates, and appropriateness of disclosures. We consider these policies and estimates to be reasonable and appropriate.

Description	Types of judgments	Significance	Degree of subjectivity	Degree of complexity	Degree of estimation uncertainty
Revenue recognition ⁽¹⁾ and related allowances	» Principal versus agent	High	Moderate	Moderate	–
	» AR allowances, including spam reserves, customer rebates and incentives, and allowance for credit losses	Low	Moderate	Low	Low
	» Cross product area arrangements, including contract combination, reciprocal transactions, and contracts with multiple performance obligations	Moderate	Moderate	High	Moderate
	» Supplemental disclosures	High	Moderate	Low	Low
Cost of revenues	» Principal versus agent	High	Moderate	Moderate	–
	» Device & services inventory and purchase commitments	Moderate	Moderate	Moderate	Moderate
Income taxes	» Uncertain tax positions	Moderate	Moderate	Moderate	Moderate
Loss contingencies ⁽²⁾	» Evaluation of possibility / probability and associated disclosures	High	High	High	High
Long-lived assets and goodwill	» Impairment assessment (technical infrastructure)	High	Moderate	Moderate	Moderate
	» Reporting unit identification	High	Moderate	Moderate	–
	» Useful life assessment	High	Low	Low	Low
Fair value measurements	» Impairment and measurement of non-marketable investments	High	Moderate	Moderate	Moderate
	» Measurement of Other Bets share based compensation awards	Low	High	Moderate	Moderate
Business combinations	» Fair value of assets acquired and liabilities assumed	Moderate	High	Moderate	Moderate

⁽¹⁾ Fraud risk related to overstatement of auction-based revenue due to management manipulation of spam filters to inappropriately recognize revenue related to invalid clicks and impressions

⁽²⁾ Final CAM. Refer to Critical audit matters (CAMs)

Internal control over financial reporting

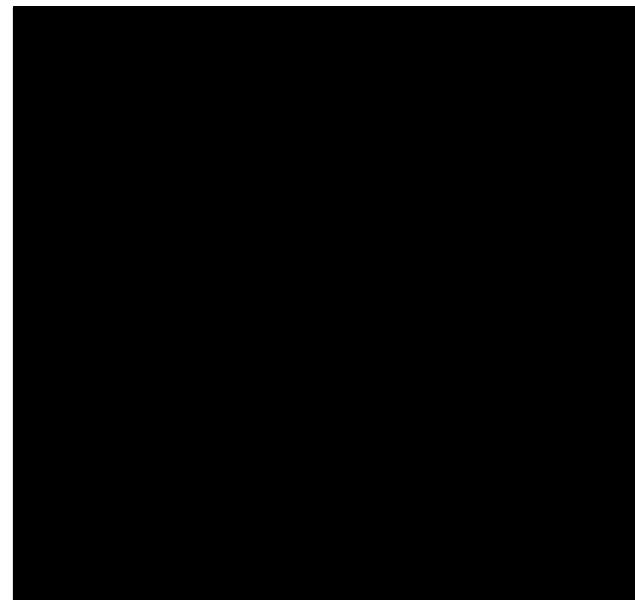
Focus areas

- Impact on IT controls, key reports, and manual control activities related to implementation of SAP subledgers and other business functionality
- Walkthrough and testing of controls in processes significantly impacted by the implementation – fixed assets, source to pay, and devices and services processes
- Sufficient evidence of review for controls designated as management review controls

Observations

- SAP enabled finance transformation – implementation and testing of processes, systems, and controls supported effective reliance
 - Opportunity to optimize processes and controls subsequent to N3Q stabilization
- No financial reporting implications arising from critical vulnerability within Apache Log4j software library identified at time of our procedures
- Increased number of deficiencies in areas significantly impacted by finance transformation, such as the fixed assets and source to pay processes
- Significant deficiency identified in 2018 related to U.S. tax reporting for foreign payments (withholding) was determined to be remediated by management with the implementation of a new tax withholding process

Deficiencies identified and
deficiency rate by control type*
(excluding deficiencies at third party service providers)



* Deficiency count as of January 19th

^ Includes manual, IT dependent and application controls

Critical audit matters (CAMs)

What is a CAM?

A CAM is any matter the auditor communicated or was required to communicate to the audit committee that both:

- ▶ Relates to accounts or disclosures that are material to the financial statements
- ▶ Involves especially challenging, subjective or complex auditor judgment

What are the requirements?

We are required to include a discussion of CAMs in our auditor's report. Specifically, we:

- ▶ Describe the principal considerations that led us to determine that the matter is a CAM
- ▶ Describe how the CAM was addressed in our audit
- ▶ Refer to the relevant financial statement accounts or disclosures

Final assessment of CAMs

We have performed our final assessment of CAMs for the current year audit; the below matter is determined to be a CAM. Please see Appendix B for our draft audit opinion, including CAM discussion.

CAM	Audit considerations	Audit response

Inquiries related to matters relevant to the audit

- ▶ Inquiries of the audit committee are intended to assess the board's awareness of important matters pertaining to the audit, including:
 - ▶ Your views about the risks of material misstatements due to fraud, including the risks of management override of controls.
 - ▶ Your knowledge of any actual, alleged or suspected fraud.
 - ▶ Your awareness of tips or complaints regarding the Company's financial reporting (including those received through the "whistleblower" program), other matters relevant to the audit (such as violations or possible violations of laws or regulations) or any significant unusual transactions.
 - ▶ How you exercise oversight over the Company's assessment of fraud risks and the establishment of controls to address these risks.
 - ▶ Your understanding of relationships and transactions with related parties that are significant to the Company and any concerns related to those relationships or transactions.



Appendices

A	Areas of emphasis
B	Audit opinion - DRAFT
C	PCAOB rule 3526 independence letter - DRAFT
D	Material written communications
E	Required communications
F	Other updates
G	Pre-approval of services

Appendix A

Areas of emphasis

9 | Alphabet Inc. 2023 audit results

Confidential - Ernst & Young LLP

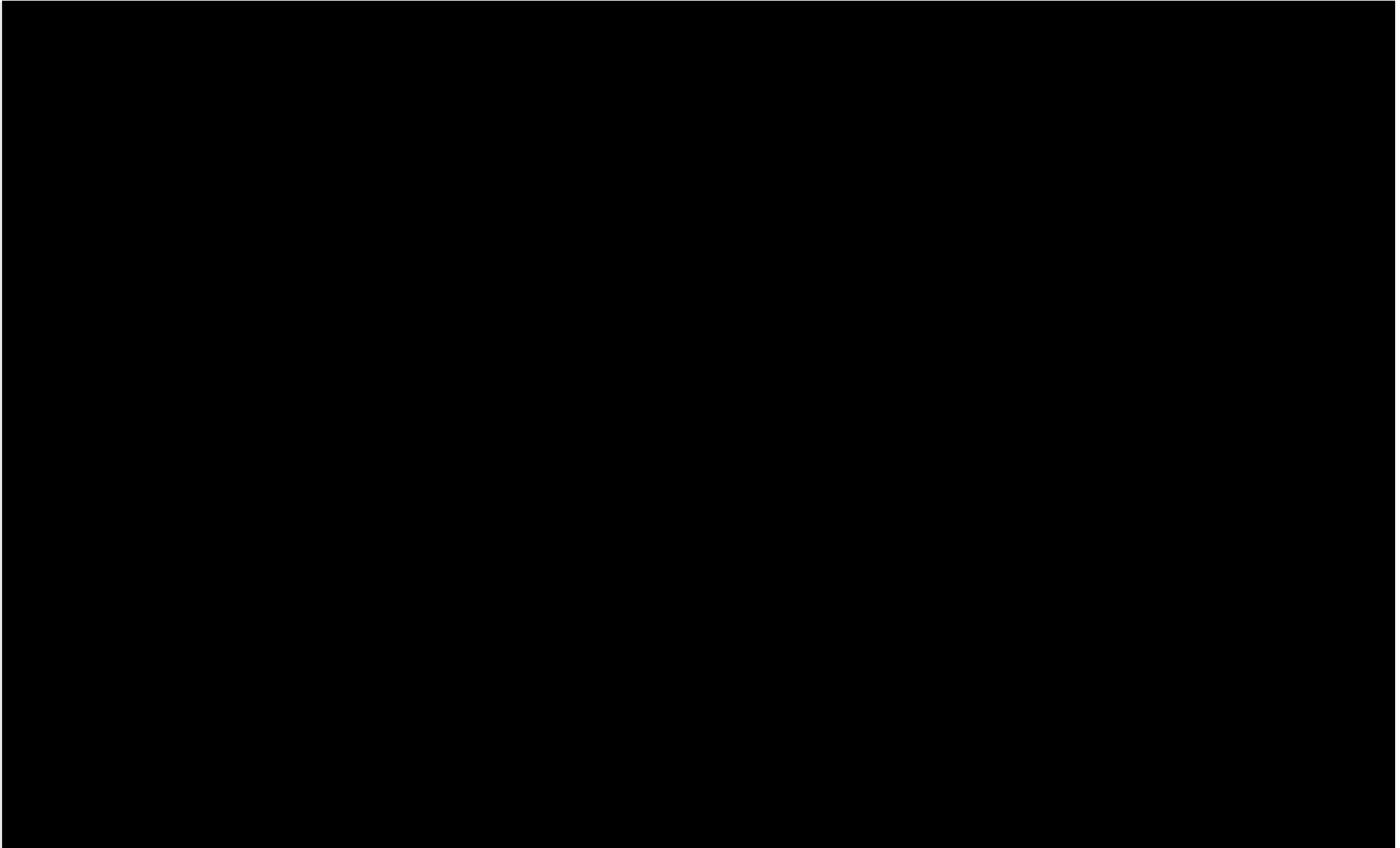


HIGHLY CONFIDENTIAL

GOOG-AT-MDL-017191843

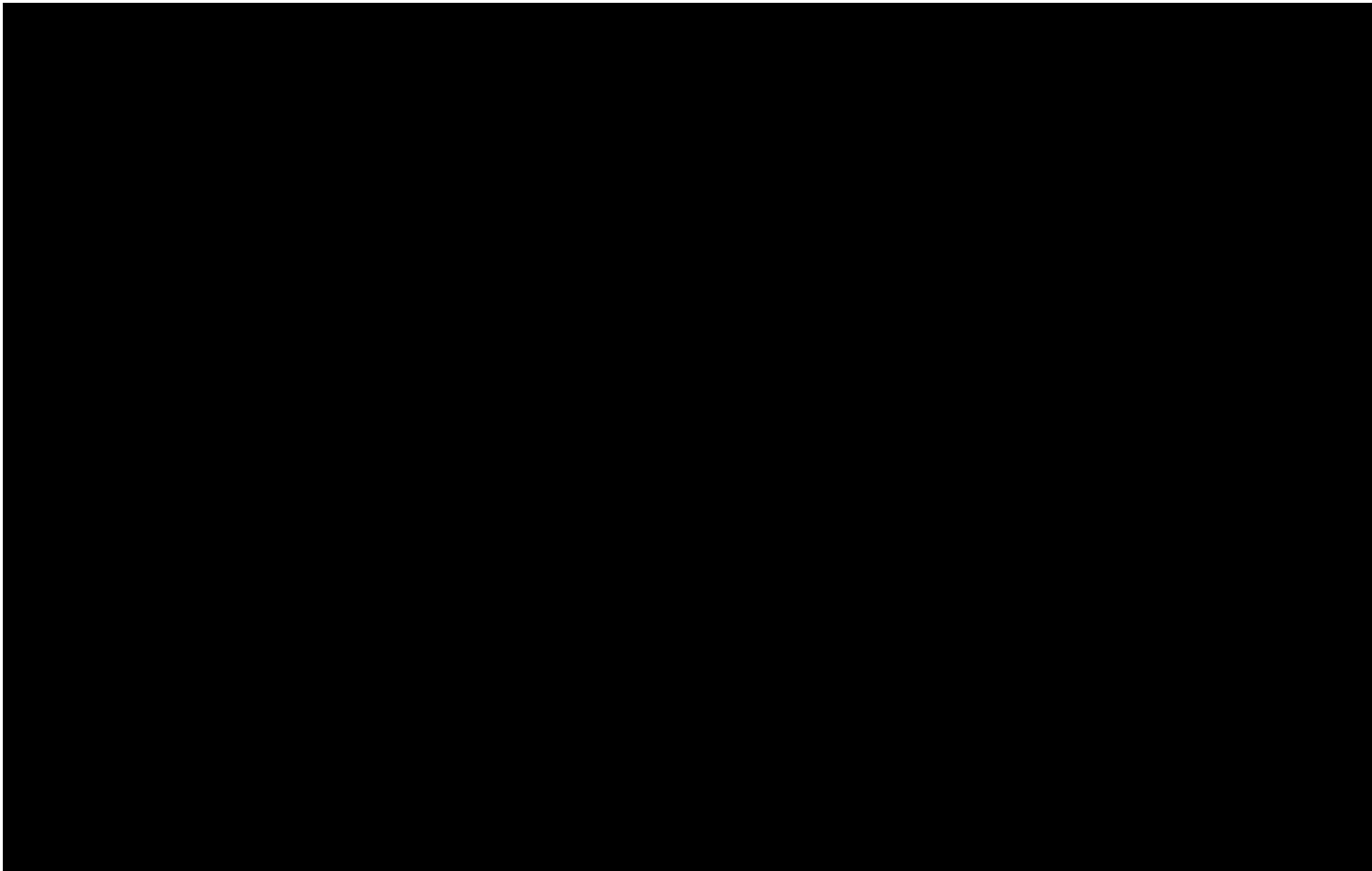
Areas of emphasis

Advertising revenue



Areas of emphasis

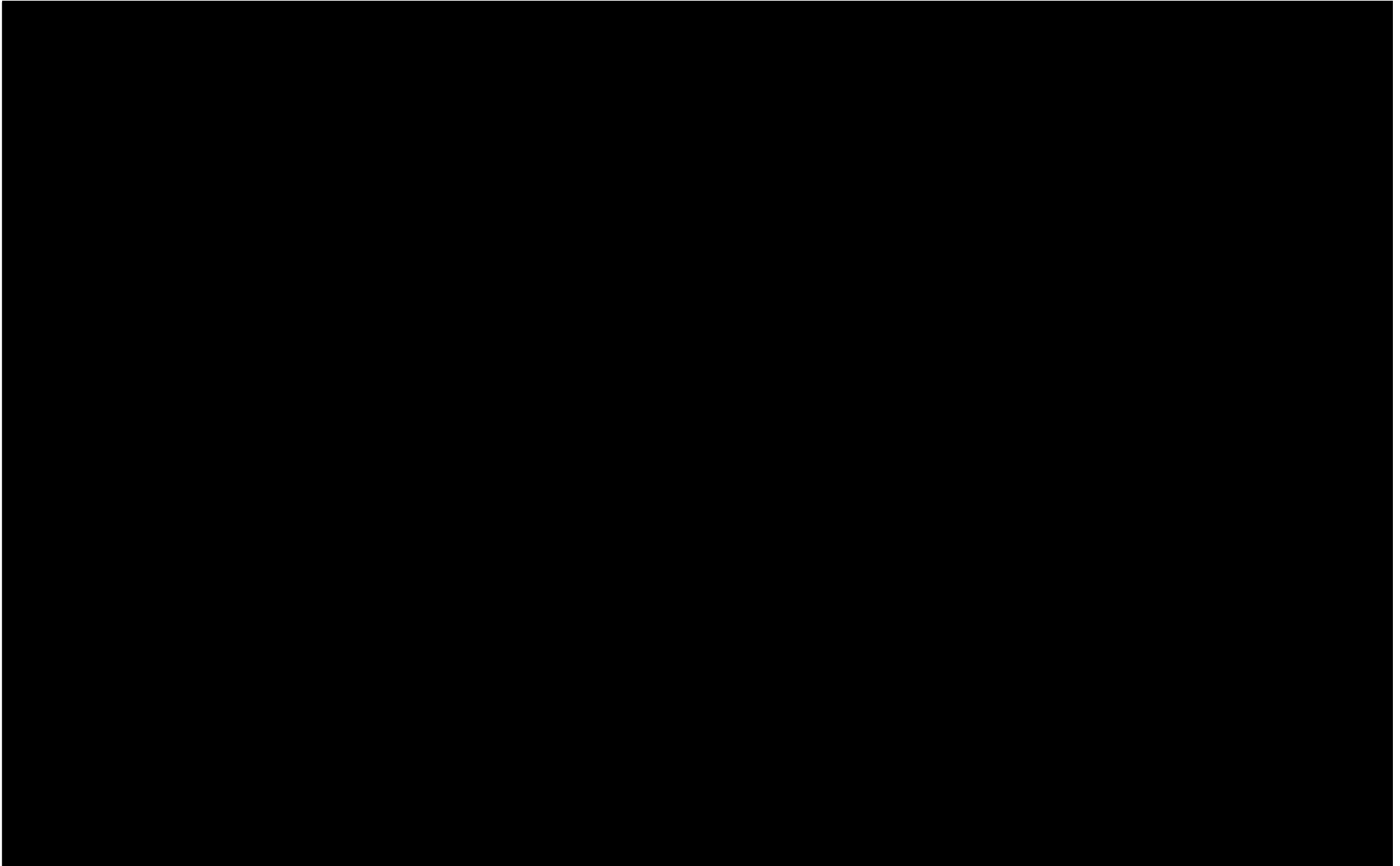
Non-Advertising revenue – Google Cloud Platform (GCP)



customers and transaction price adjustments

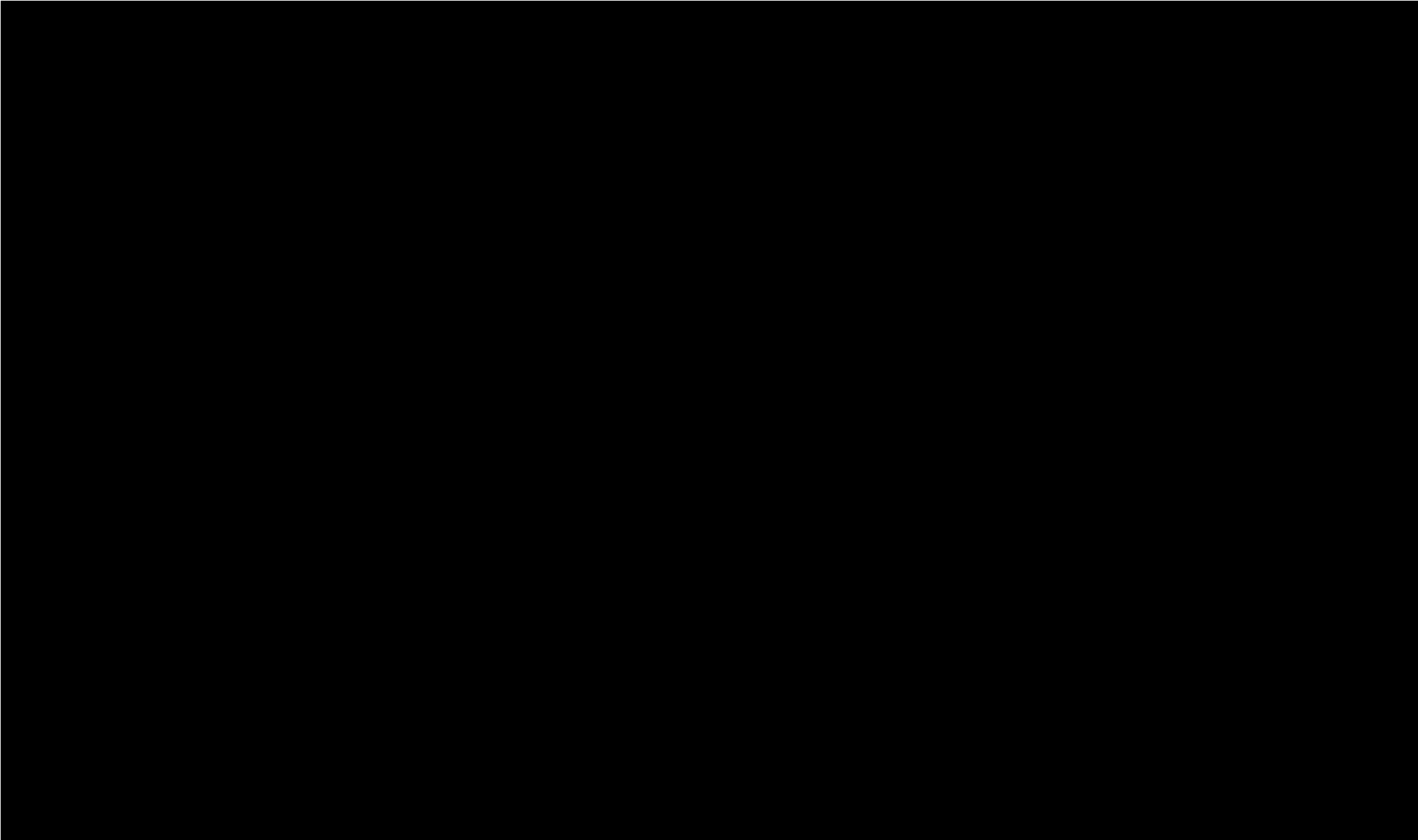
Areas of emphasis

Non-Advertising revenue – Other Google Services



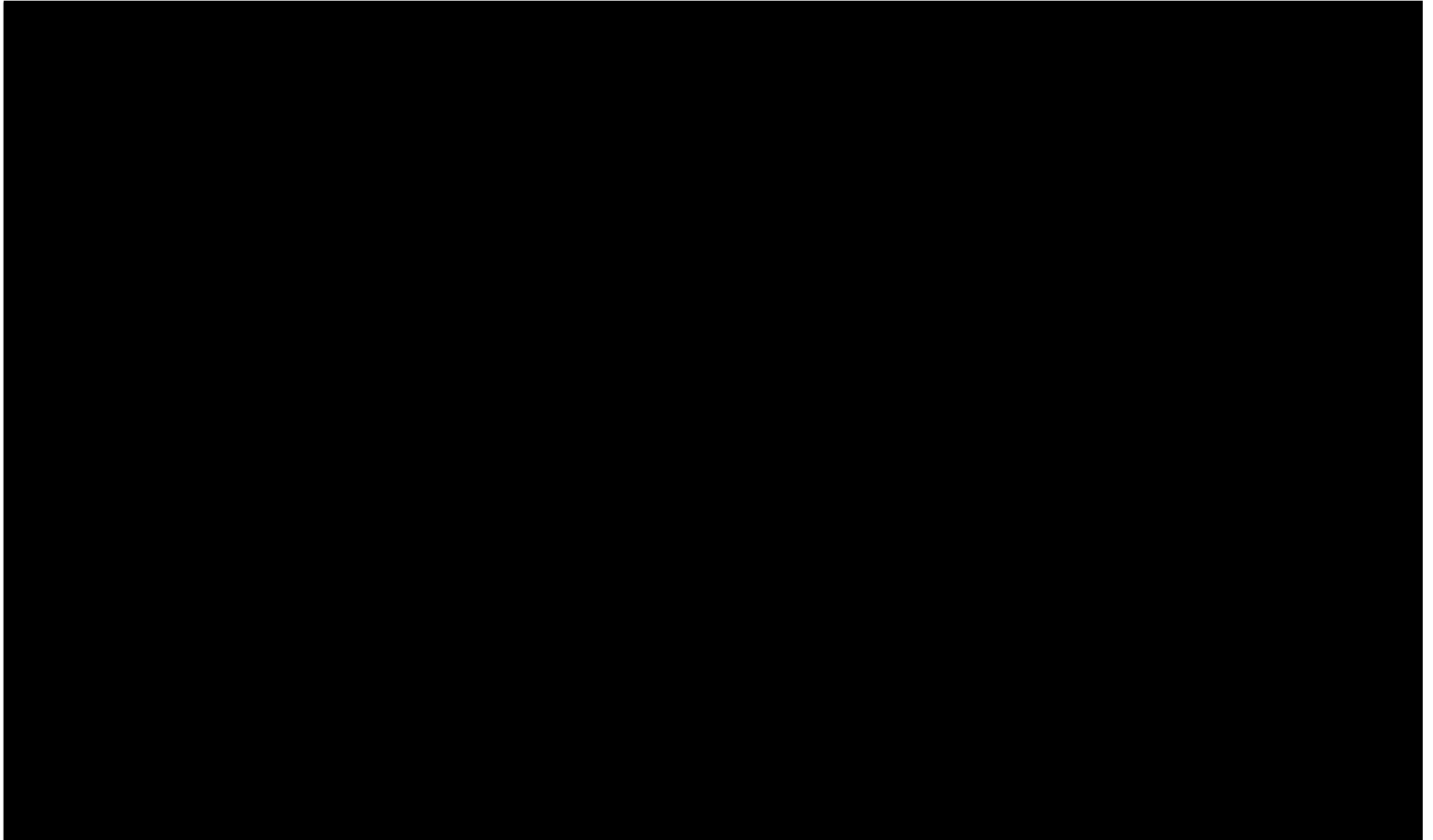
Areas of emphasis

Treasury and investment activities



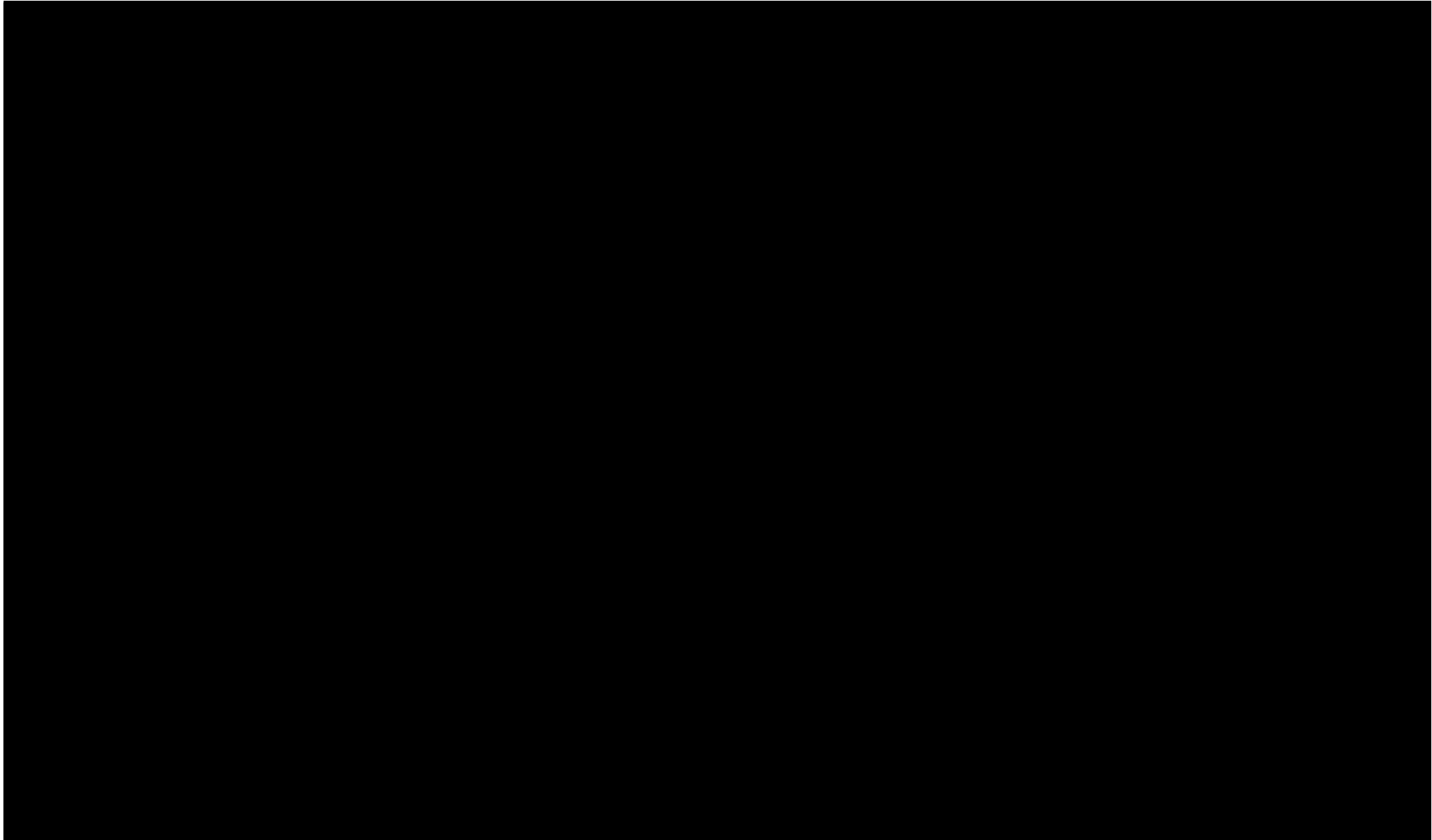
Areas of emphasis

Legal contingencies



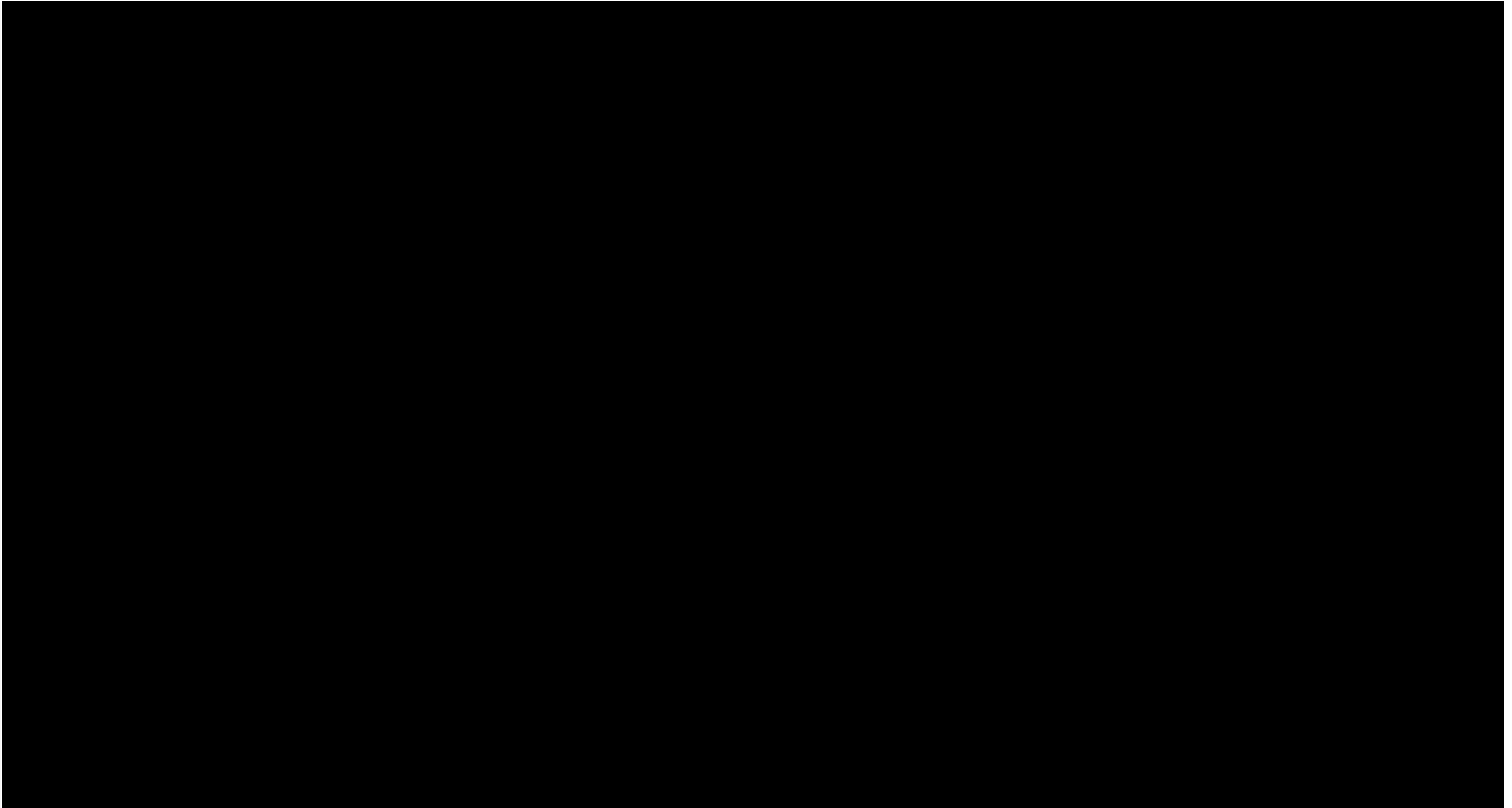
Areas of emphasis

Fixed assets



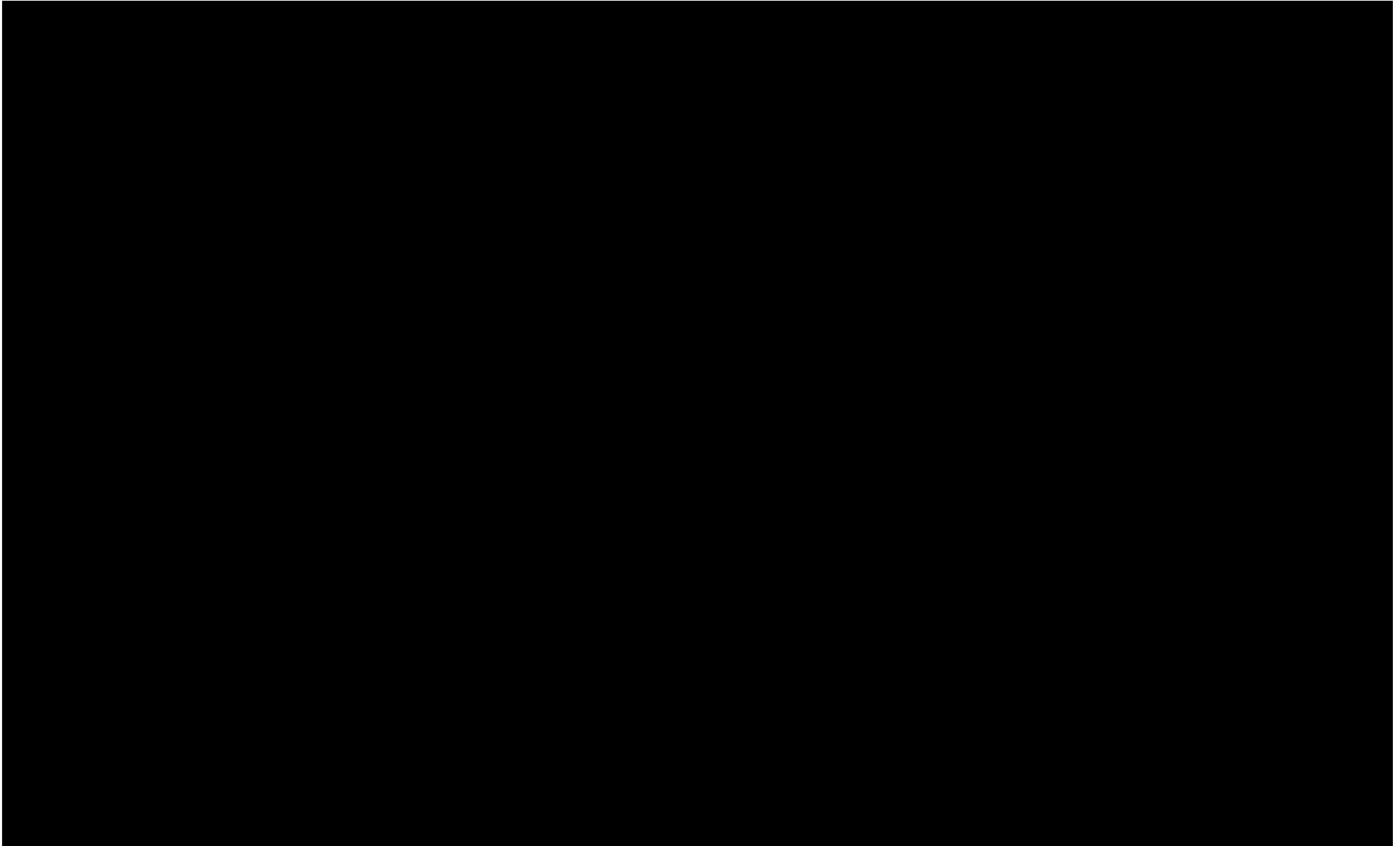
Areas of emphasis

Income taxes



Areas of emphasis

Equity



Appendix B

Audit opinion - DRAFT



To the Stockholders and the Board of Directors of Alphabet Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alphabet Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 1, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.





Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Loss Contingencies

The Company is regularly subject to claims, suits, regulatory and government investigations, and other proceedings involving competition, intellectual property, privacy, tax and related compliance, labor and employment, commercial disputes, content generated by its users, goods and services offered by advertisers or publishers using their platforms, personal injury, consumer protection and other matters. As described in Note 10 to the consolidated financial statements "Contingencies" such claims, suits, regulatory and government investigations, and other proceedings could result in adverse consequences.

Significant judgment is required to determine both the likelihood, and the estimated amount, of a loss related to such matters. Auditing management's accounting for and disclosure of loss contingencies from these matters involved challenging and subjective auditor judgment in assessing the Company's evaluation of the probability of a loss, and the estimated amount or range of loss.

We tested relevant controls over the identified risks associated with management's accounting for and disclosure of these matters. This included controls over management's assessment of the probability of incurrence of a loss and whether the loss or range of loss was reasonably estimable and the development of related disclosures.

Our audit procedures included gaining an understanding of previous rulings issued by regulators and the status of ongoing lawsuits, reviewing letters addressing the matters from internal and external legal counsel, meeting with internal legal counsel to discuss the allegations, and obtaining a representation letter from management on these matters. We also evaluated the Company's disclosures in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

San Jose, California
February 1, 2022





To the Stockholders and the Board of Directors of Alphabet Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Alphabet Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Alphabet Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated February 1, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California

February 1, 2022



Appendix C

PCAOB rule 3526 independence letter - DRAFT



February 1, 2022

The Audit Committee of the Board of Directors
Alphabet Inc. ("the Company")

Pursuant to Rule 3526 of the Public Company Accounting Oversight Board, Communication with Audit Committees Concerning Independence, Ernst & Young LLP (together with its associated entities, "we", "our" or "EY") communicates at least annually with you regarding all relationships between EY and the Company, including its affiliates, or persons in financial reporting oversight roles at the Company that may reasonably be thought to bear on EY's independence.

In that regard, we wish to report the following matters:

EY has contracts to purchase certain Google Cloud Platform services and Google Advertising from the Company. Management has informed us that the contracts are in the ordinary course of business and the terms and conditions are "at market", as compared to other buyers at similar levels of spending. We have concluded that there is no effect on EY's independence with respect to these contracts. In reaching that conclusion, we considered the US SEC independence rules applicable to this situation, which permit business relationships between an audit client and the firm or covered person in the firm when the firm or covered person is a consumer in the ordinary course of business.

We identified three personal financial relationship matters, which are inconsistent with the SEC and PCAOB independence rules. Our policies require professionals to determine the permissibility of holding any financial interest both prior to acquiring and while holding the interest, and professionals' reported holdings are monitored using procedures and systems that provide reasonable assurance that independence is maintained.

- The spouse of an EY professional who provided more than 10 hours of non-audit services to Alphabet Inc. during the fiscal year, invested in a SPDR Fund that held greater than 20% of the fund in Alphabet stock. The EY professional was not aware of the fund's concentration in Alphabet stock until the professional was notified through our monitoring system. This breach occurred due to the lack of communication by the professional's spouse and was resolved promptly upon identification by divesting of the investment.
- The spouse of an EY partner, who resided in the same office as the lead audit partner for a period of time, is an employee of Alphabet Inc. and holds an employment-related direct financial interest in Alphabet Inc. Although this partner did not provide any services to the Company, all partners residing in the same office as the lead audit partner are considered covered persons. This breach occurred due to the lack of knowledge that the EY partner was located in the same office as the lead audit partner.
- The spouse of an EY senior, who was actively working on the integrated audit of the Company, became an employee of Alphabet Inc. and holds an employment-related direct financial interest in Alphabet Inc. This breach occurred due to the senior's oversight of this policy.

We considered the following when assessing the impact of these breaches: 1) for the first two matters, these professionals were never part of the audit engagement team; 2) these matters were identified by EY's Quality Control process; 3) for the first matter, the investment in the fund was immaterial to the net worth of the professional and his immediate family member; and 4) the breaches did not create a mutuality of interest with Alphabet, place EY in a position of auditing its own work, or result in EY acting as management.





We also identified one personal employment related matter, which is inconsistent with the SEC and PCAOB independence rules. Our policies require professionals who enter into employment discussions with an audit client to promptly notify the lead partner and remain off the engagement until the matter is resolved to provide reasonable assurance that independence is maintained. A staff member on the engagement team commenced potential employment discussions with Google for a position in a non-financial reporting oversight or non-accounting role while actively working on attestation engagements but not the integrated audit of the Company's consolidated financial statements. This breach occurred due to the staff's oversight of this policy. We considered the following when assessing the impact of this breach: 1) the staff's role on the engagement and that work was subject to reperformance and review by at least two additional engagement members; 2) the staff did not perform any procedures in connection with the integrated audit of the Company; and 3) the breach did not create a mutuality of interest with Alphabet, place EY in a position of auditing its own work, or result in EY acting as management.

Based on our assessment of these facts and circumstances, individually and in the aggregate, we have concluded our objectivity and impartiality with respect to all issues encompassed within our audit engagement have not been impaired, and we believe a reasonable investor with knowledge of all relevant facts and circumstances would reach the same conclusion.

We are not aware of any other relationships between EY and the Company, or its affiliates, that may reasonably be thought to bear on EY's independence since February 3, 2021, the date of EY's last communication.

Accordingly, relating to EY's audits of the financial statements of Alphabet Inc. as of December 31, 2021 and 2020 and for the years then ended, except for the breaches set forth above, we would be independent in compliance with Rule 3520 of the Public Company Accounting Oversight Board.

This report is intended solely for the information and use of the Audit Committee of the Board of Directors, management and others within the Company and should not be used for any other purposes.



Appendix D

Material written communications

Material written communications

(Provided electronically)

Legal letters

- ▶ Q4 2020 update letter
- ▶ Q1 2021 interim review
- ▶ Q2 2021 interim review
- ▶ Debt offering
- ▶ Q3 2021 interim review
- ▶ Q4 2021 year-end letter⁽¹⁾

Management representation letters

- ▶ FY2020 year-end audit
- ▶ Q1 2021 interim review
- ▶ Q2 2021 interim review
- ▶ Debt offering
- ▶ Q3 2021 interim review
- ▶ Q4 2021 year-end letter⁽¹⁾

Other matters required to be communicated if and when applicable

- ▶ None

⁽¹⁾ Material written communications are provided one quarter in arrears. Q4 2021 year-end legal letter and management representation letter will be provided with Q1 2022 interim Audit and Compliance Committee materials.



Appendix E

Required communications

Required communications

Area	Comments
▶ Auditor's responsibility under PCAOB standards, including a draft of the auditor's report and our evaluation of the financial statement presentation	Refer to the auditor's report in Appendix B.
▶ Changes to the audit strategy, timing of the audit and significant risks identified	Our audit strategy is consistent with the plan communicated during the July 2021 Audit and Compliance Committee meeting aside from updates referenced in "Executive summary" and other areas herein.
▶ We communicate significant changes to the names, locations and planned responsibilities of other firms (including EY member firms or persons) or persons not employed by Ernst & Young LLP supporting the audit.	Consistent with our audit plan, we do not utilize other firms as a component team in the execution of the audit. We did utilize individual resources from our global delivery services in India and Philippines, IT audit resources from EY member firms in the UK and South Africa and a few individual contractors. Audit procedures performed by these individuals are reviewed by audit professionals employed by Ernst & Young LLP. The UK EY member firm, Ernst & Young LLP, will be listed in our Form AP submission as the total hours represented more than 5% of our total hours.
▶ Matters relevant to our evaluation of the entity's ability to continue as a going concern	We did not identify any events or conditions that led us to believe there was substantial doubt about the Company's ability to continue as a going concern.
▶ Significant and critical accounting policies and critical accounting estimates, including qualitative aspects, our assessment of management's disclosures and our conclusion regarding reasonableness	We have reviewed and evaluated significant and critical accounting policies and estimates as outlined in the Form 10-K draft and consider these policies appropriate. Refer to "Management's judgments and estimates" where we have discussed our conclusions and observations over such matters we determine most critical to our audit.



Required communications

Area	Comments
▶ Related party relationships and transactions	We noted no significant matters regarding the Company's relationships and transactions with related parties.
▶ Fraud and noncompliance with laws and regulations (illegal acts)	We are not aware of any matters that require communication.
▶ Obtain information relevant to the audit	Inquiries regarding matters relevant to the audit are to be performed at this meeting.
▶ Independence matters	Our independence letter under PCAOB Rule 3526 is included in Appendix C to these materials.
▶ Audit committee preapproval of services	Refer to Appendix G and management's presentation for the preapproval of EY services.
▶ New accounting pronouncements	No issues have been identified with regard to management's planned application of new accounting pronouncements.
▶ Fees and related SEC disclosures	FY2021 services and fees were pre-approved by the committee during the October 2020 meeting, January 2021 meeting, and other 2021 Audit and Compliance Committee meetings during the year. Proposed FY2022 services and fees are included in "Pre-approval of services".
<ul style="list-style-type: none"> ▶ Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention ▶ Disagreements with management and significant difficulties encountered in dealing with management when performing the audit ▶ Management's consultations with other accountants ▶ Material alternative accounting treatments discussed with management 	None.



Required communications

Area	Comments
▶ Significant unusual transactions	We are not aware of any significant unusual transactions executed by the Company.
▶ Difficult or contentious matters subject to consultation outside of the audit team	During fiscal 2021, there were no such matters.
▶ Corrected misstatements related to accounts and disclosures ▶ Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial	We did not identify any matters outside of those identified and communicated by Management.
▶ Significant deficiencies and material weaknesses in internal control over financial reporting	No material weaknesses were identified in the 2021 audit. We have communicated to management all deficiencies in ICFR.
▶ Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements	We have reviewed the Company's Form 10-K, the annual report to shareholders and the proxy statement and did not identify anything requiring communication.
▶ Management's Section 302 disclosures about changes in internal control that require modification to be accurate	We are not aware of any matters that would lead us to believe that the Company's disclosures about fourth-quarter changes in internal control over financial reporting are inaccurate.
▶ Additional information included in management's report on internal control	We are not aware of any such matters regarding the Company's report on internal control.
▶ Other material written communications with management	Refer to Appendix D for a summary of material written communications with management which were shared with the Audit and Compliance Committee.
▶ Other matters	There are no other matters arising from the audit that are significant and relevant to the audit committee regarding the oversight of the financial reporting process.



Required communications

Area	Comments
<ul style="list-style-type: none"> ▶ AICPA ethics ruling regarding third-party service providers 	<p>From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.</p>
<ul style="list-style-type: none"> ▶ Representations we are requesting from management 	<p>The letter of representations constitutes material written communications. Refer to Appendix D for a summary of material written communications with management which were shared with the Audit and Compliance Committee.</p>

As required, provided above is a summary of required communications between the audit team and the audit committee, as required by Auditing Standard (AS) 1301, *Communications with Audit Committees*, and other applicable auditing standards. This communication is intended solely for the information and use of the audit committee and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.



Appendix F Other updates



Our commitment to audit quality

Our 2021 audit quality report offers an overview of our actions to date and our priorities for the future, including:

- The expansion of our use of data analytics and our data-first approach to deliver high-quality audits
- Our commitment to diversity, combined with an inclusive culture that promotes a sense of belonging, which drives better decision-making
- The resiliency of our people and our culture, which allowed us to continue to perform high-quality audits, despite the COVID-19 pandemic
- Our Independent Audit Quality Committee, which provides us with advice and independent perspectives

“

Our system of quality control is the foundation for consistently performing high-quality audits. That's why we continuously review our processes and controls and enhance them, even in times of crisis.

John L. King
US Vice Chair of Assurance

Key metrics

Leveraging technology

99%

of US public company audits use GL Analyzer

Benefiting from diverse perspectives

59%

of new US audit partners/managing directors (MDs) are women or minorities

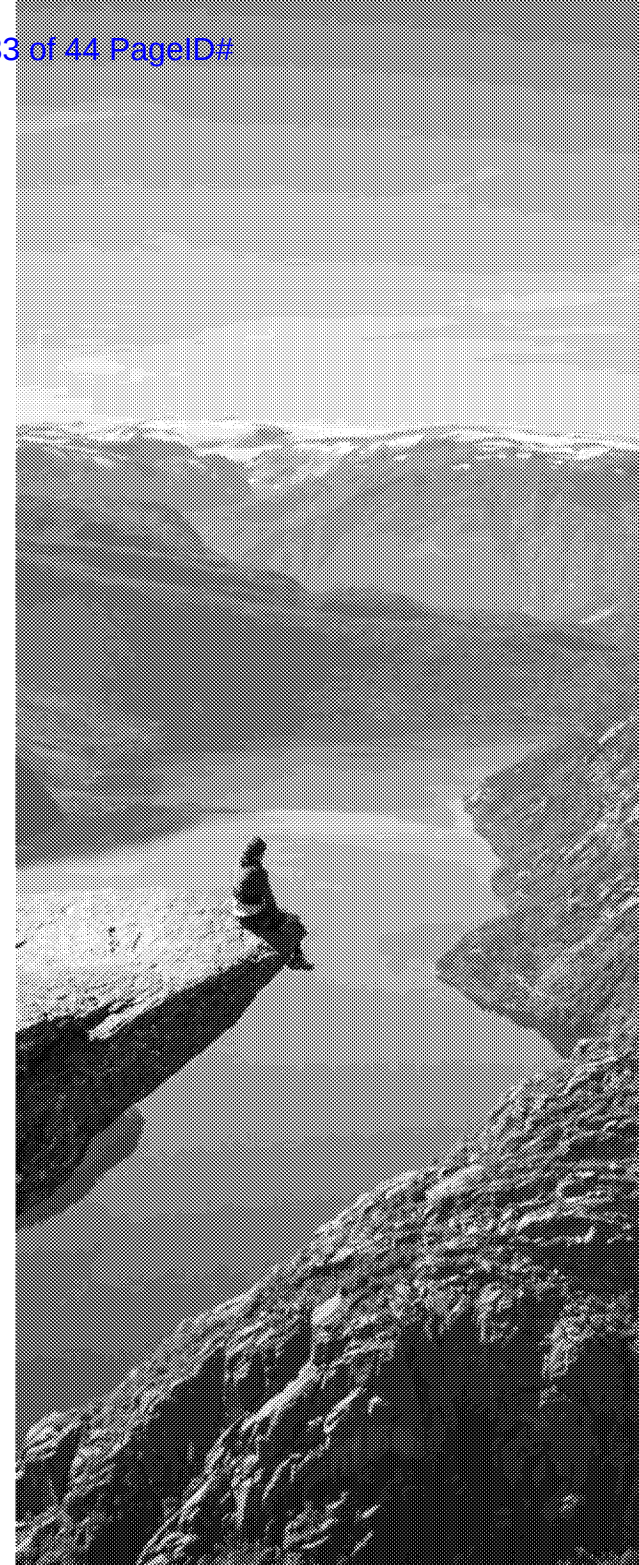
Enabling teams with the right coaching and expertise

1:5

Ratio of partners/MDs in Quality Network/PPG to audit partners/MDs

Actions by our teams

Technology	People	Processes
<ul style="list-style-type: none"> ▸ Leveraging data analytics ▸ Applying data-driven procedures 	<ul style="list-style-type: none"> ▸ Attracting and retaining diverse talent ▸ Building skills in data analytics ▸ Engaging in dialogue to address racism 	<ul style="list-style-type: none"> ▸ Focusing on milestones in the audit ▸ Via Insight meetings with the entire team to drive a deeper understanding of business risks and processes

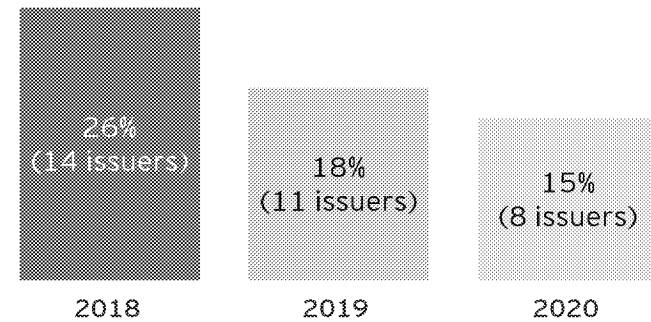


PCAOB 2020 inspection report summary

Continuous improvement in Part I.A results

During our 2020 inspection, the PCAOB inspection staff reviewed 52 of our issuer audits. The 2020 inspection generally covered audits of issuers' 2019 fiscal years. The PCAOB inspection staff selected certain areas of audits and reviewed the audit team's workpapers and interviewed audit personnel regarding those areas. For certain selected audits, the PCAOB inspection staff also reviewed written communications between the firm and the issuer's audit committee and interviewed the chairperson of the issuer's audit committee.

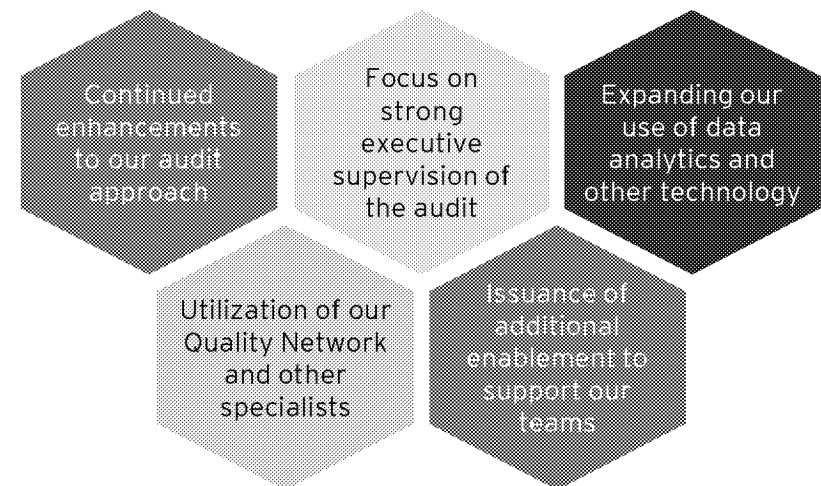
Percentage and number of audits with Part I. A deficiencies



The PCAOB 2020 report demonstrates the impact of our ongoing commitment to audit quality

- ▶ Fewer overall findings
- ▶ Reduction in audits with multiple inspection findings
- ▶ Sustained improvement in areas of recurring inspection findings (such as testing review controls and evaluating significant assumptions used in developing estimates)
- ▶ Zero audits with an incorrect opinion on the financial statements and/or internal control over financial reporting (ICFR)

We attribute the sustained improvement in inspection findings to the following key quality initiatives:



Regulatory developments: climate and human capital disclosure

The SEC is developing a climate and human capital disclosure proposal, which is expected by early 2022

There is a range of disclosure options available:

- ▶ Minimum likely includes climate risk and governance disclosures along with Scope 1 and 2 emissions data
- ▶ Maximum might also include Scope 3 emissions data, industry-specific metrics and climate scenario analyses

The SEC is considering specific requirements for disclosures:

- ▶ The SEC may not rely on existing disclosure frameworks or standards other than the Greenhouse Gas Protocol
- ▶ The proposal is likely to require disclosures in annual reports and/or proxy statements
- ▶ An assurance requirement is being considered

A proposal on human capital is also on the SEC's short-term agenda, and may include:

- ▶ Workforce demographics, stability (turnover), skills and capabilities, culture, health and safety, productivity and compensation

The SEC staff has started to issue comment letters asking for more climate disclosure to be added to annual reports

- ▶ We believe the SEC staff has selected 30 to 35 companies in three industry groups: technology, manufacturing and energy
- ▶ Comments address:
 - Why information presented in corporate sustainability/ citizenship reports is not also included in annual reports on Form 10-K
 - The direct and indirect effects of climate change and how well those are described in risk factors, description of business, MD&A and legal proceedings:
 - ▶ Effects of significant legislative and regulatory events related to climate change
 - ▶ Risks related to the transition to a clean-energy economy
 - ▶ Litigation risks
 - ▶ Disclosure of any material purchase and sale of carbon credits and offsets
 - ▶ Indirect effects of climate change (e.g., changes in demand, competition)

The EU proposed the Corporate Sustainability Reporting Directive that could apply to EU subsidiaries of US companies

Appendix G

Pre-approval of services



Preapproval of EY services

SEC rules and regulations require the audit committee preapprove all services provided by the principal auditor of an SEC issuer. We are requesting preapproval for the following services expected to be performed through the date of the audit committee meeting in January 2023. Descriptions on the following pages provide further detail of the scope of services for which preapproval is being requested. Refer to separate management materials – Pre-Approval of Certain EY Services – for the summary of FY21 Pre-approved vs Actual Incurred fees.

	2022 estimated fees
Proposed Services	
Audit services	
Audit-related services	
Tax services*	
Other services	
Total	

Attachments:

- Refer to Attachment I for description of FY22 services for which management and EY request pre-approval from the Audit Committee to engage in necessary services.
- Refer to Attachment II for supplemental Information regarding other EY services (pre-approval not required).
- Refer to Attachment III for required communications for preapproval of tax and other non-audit services under PCAOB Rules 3524 and 3525.

* All fees for proposed tax services are based on a percentage of our standard hourly rates (or are presented as fixed fees based on our hourly rates, estimates of the time required to perform the work or a unit-based fee). None of the fee arrangements are contingent or findings based. Any expenses, applicable taxes or other charges, if any, will be billed as incurred.

There are no side letters or other amendments to the engagement agreements, or any other agreement (whether oral, written or otherwise) between EY and the Company related to the tax services, or any compensation arrangement or other agreement, such as a referral agreement, a referral fee or fee-sharing agreement, between EY and any third party with respect to the promoting, marketing or recommending of a transaction covered by the tax services.



Attachment I FY22 Request for Approval



Audit services

*Scope and fees to be finalized during the year.

[illegible]

FY22 Request for Approval

Non-audit tax services

Project Name	Fees	Description
Tax		



Non-audit tax services

Project Name	Fees	Description
Tax (continued)		

FY22 Request for Approval

Non-audit tax services

Project Name	Fees	Description
Tax (continued)		



Non-audit other services

[illegible]